



**BRUNSWICK  
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June 14, 2002

The Honorable Hilda Gay Legg  
Administrator, Rural Utilities Service  
U. S. Department of Agriculture  
1400 Independence Avenue, S.W.  
Washington, DC 20250-1590

Dear Administrator Legg:

Thank you for taking the time last month to meet with representatives of North Carolina's electric cooperatives and providing us the opportunity to discuss broadband deployment. It is apparent from our conversation you are well versed in the challenges of providing low cost high speed telecommunication services in our Nation's rural communities.

We applaud your recognition of these issues and welcome the opportunity to comment at the upcoming public hearing on June 27<sup>th</sup>. We ask that our representative John Whalen speak on behalf of EMC Technologies, a Limited Liability Corporation formed by North Carolina's electric cooperatives to support telecommunication and information technology activities of our member cooperatives and explore opportunities to provide services to our member-consumers and their neighboring communities.

I will take this opportunity to make a few suggestions which could enhance the current Broadband Deployment Loan Program.

- **Accommodate partnerships or hybrid public/private collaborative efforts.** In most cases broadband deployment either at retail or wholesale level requires tremendous capitalization. Most organizations can not and will not attempt such an effort alone. As with many economic development projects – which broadband deployment becomes in a rural area – collaborative efforts lowers the risk to each individual participant and are usually much more successful. The ability for the program to provide flexibility for such initiatives would be beneficial to many efforts across the country and in North Carolina.
- **Avoid Cross-Collateralization.** In many cases the borrower may be only financing a piece of an overall project. It would be very beneficial if RUS required the borrower to only provide collateral for the part of the project they are financing as opposed to the value of the whole project. This would allow the project to raise additional capital more easily from other sources.

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- **Ease loan requirement for project emphasizing economic development focused initiatives.** Deploying broadband in rural areas is not a highly profitable endeavor primarily due to density and related investment cost. Successful deployment and usage requires capital, equipment, training and a sustained marketing program. If they build it, will they come? Yes, if it is at a reasonable cost, is reliable and is maintained over time to allow the market to catch up and provide a steady rate of return. The ability for RUS to ease interest charges on the loan until later years such as a deferred interest charges without penalties would increase participation in projects by those willing to make an investment and/or borrow the funds.

Some ask should RUS help finance part of a project that connect cities through rural areas or touch areas where fiber may already exist? Yes. The reality is that the sole purpose is to connect rural America with information centers which are housed in urban areas. Please keep in mind that there may be fiber in areas where a project is planned; however, many of those fiber lines are very expensive and access is controlled by a single party. In addition, most fiber is used for long haul purposes and as such goes through or near rural areas but does not go into rural areas. A little more open access service/competition may lower prices for all and allow those who have been denied access in the past the ability to have an alternative network provider.

Thank you again for the opportunity to provide input into this process. We appreciate your interest and desire to make a difference in rural America.

Sincerely,

Robert W. "Chip" Leavitt, Jr.  
Chairman, EMC Technologies  
CEO/General, Brunswick Electric Membership Corporation

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RUS Telecommunications Program